



**PROPOSED AMENDMENTS
TO THE DEBT LIMIT REGULATION**

AND THE

**SUPPLEMENTARY ACCOUNTING
PRINCIPLES AND STANDARDS
REGULATION**

CONSULTATION DOCUMENT AND QUESTIONNAIRE

Please review the proposed amendments and
return your comments by November 1, 1999

**RETURN COMPLETED
QUESTIONNAIRE TO:**

Alberta Municipal Affairs
Municipal Services Branch
Legislative Projects Unit
17th Floor - 10155 102 Street
Edmonton AB T5J 4L4
Fax: (780) 420-1016
Electronic: www.gov.ab.ca/ma/



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Local Government Services
Division

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September 1999

To: Chief Administrative Officers

The Municipal Government Act and its regulations are the principal components of the legislative and regulatory framework guiding the operation of local government in Alberta. The department is committed to continually monitoring this legislation to ensure that the best possible framework exists to support local decisions and solutions.

In accordance with this commitment, the department is currently reviewing the Debt Limit Regulation (Alberta Regulation 375/94) and the Supplementary Accounting Principles and Standards Regulation (Alberta Regulation 379/94). The purpose of these reviews is to ensure continued relevance of these regulations.

Attached are the consultation documents regarding these regulations. Both documents provide a number of proposed amendments to address issues and concerns raised by stakeholders.

In response to numerous stakeholder requests, the department is pleased to provide stakeholders the opportunity to view and respond to these consultation documents and future documents in an electronic format. The consultation documents are available electronically on the Alberta Municipal Affairs home page at www.gov.ab.ca/ma/ under the selection "Consultation Interface".

Your opinions and comments regarding the Debt Limit Regulation and Supplementary Accounting Principles and Standards Regulation are welcome and important to us.

Please forward your comments by **November 1, 1999**, to:

Alberta Municipal Affairs
Municipal Services Branch
Legislative Projects Unit
17th Floor, Commerce Place
10155 - 102 Street
Edmonton, Alberta T5J 4L4
Fax: 780-420-1016
Electronic: www.gov.ab.ca/ma/

Thank you for your participation in the regulatory review process.

Yours truly,

A handwritten signature in black ink, appearing to read "Brad Pickering", written over a horizontal line.

Brad Pickering
Assistant Deputy Minister

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DEBT LIMIT REGULATION

(Alberta Regulation 375/94)

PROPOSED AMENDMENTS TO THE DEBT LIMIT REGULATION (AR 375/94)

INTRODUCTION

The Debt Limit Regulation (Alberta Regulation No. 375/94) was established when the current Municipal Government Act (MGA) came into force on January 1, 1995. In keeping with the MGA's principles of increased autonomy and flexibility, the Regulation allows municipalities to borrow money without obtaining provincial approval, provided that the amount to be borrowed is within the prescribed debt and debt service limits.

The intent of the Regulation is twofold: to provide municipalities with broad authority to proceed directly to the borrowing process without provincial involvement; and to protect taxpayers from municipalities that might otherwise become overextended. The Regulation does not preclude borrowing in excess of the limits, but requires Ministerial approval to do so. If the necessary approval has not been obtained, councillors voting in favour of a borrowing in excess of the limits can be held liable for the borrowing.

A telephone survey of the other western provinces indicated that there is still a significant provincial approval process in place for municipal borrowing elsewhere. In Alberta, a simple indicator was chosen to achieve a balance between reducing the provincial role in the borrowing process and not overlooking instances where provincial involvement is warranted. The limits, based on a percentage of revenue as shown in the most recent audited financial statements, were seen as relevant and yet simple to calculate.

Municipal debt and debt service limits are being reviewed in accordance with the requirements of the Regulatory Review Secretariat. The review process is undertaken to determine if the intended purpose is being fulfilled or if the Regulation should be amended. The consultation paper was prepared to examine issues and concerns that have emerged since the Regulation was enacted. These fall into three categories:

- 1) communicating the Regulation's intent;
- 2) the calculation formula; and
- 3) clarification of "calculation time".

BACKGROUND

- **Provincial Approval**

Before the Regulation was established, municipalities were required to obtain provincial approval from the Local Authorities Board (LAB) for most long-term borrowing. The LAB based its assessment on five internally-established guidelines (refer to Appendix 2) none of which is equivalent to the current Regulation.

The philosophy behind having several guidelines was to ensure that at least one of the “warning signals” would be triggered in a case where additional debt might not be supportable, prompting the need for a more detailed review. The guidelines were designed to be quite stringent so that municipalities with marginal or negative additional debt capacities would be scrutinized.

Since 1995, when the LAB was dissolved and the Regulation was enacted, the Alberta Municipal Financing Corporation (AMFC) implemented an internal review process for municipalities within 25% of either the debt or debt service limit. The review includes an analysis of prior year’s financial statements, long-term capital budgets, and other data such as population and/or economic growth. As with any potential lender, AMFC must be satisfied that a municipality is creditworthy, even if it falls within the regulated limits. (Refer to Appendix 5.)

- **Limit Extensions**

Information Bulletin 21/95 (Appendix 3) established a process for making an application to the Minister to exceed the limits. Local Government Services has received extension applications from six municipalities since the Regulation took effect. Of these requests, one municipality was required to provide an independent consultant’s report, and all others were granted approval to exceed one or both of the limits.

The most recent available data (December 31, 1997) shows that no municipalities exceeded the debt limit and seven municipalities exceeded the debt service limit. The trend in 1995 and 1996 was very similar, with few or no municipalities over the debt limit and a small number over the debt service limit.

- **Correct Calculation**

Although the Regulation was intended to be fairly easy to calculate, it was not interpreted uniformly by all municipalities at the outset. As a result, in October 1996, Interpretation Bulletin 02/96 (Appendix 4) was released to help clarify how the calculations should be made. This bulletin, as well as the experience gained by municipal treasurers and municipal auditors over the life of the Regulation, has significantly reduced the incidence of calculation errors. Consequently, calculation errors are not considered to be a significant problem by Local Government Services.

ISSUES

3.1 Communicating the Regulation's Intent

Concerns have been raised that some municipalities have been “red-flagged” through the Regulation’s attempt to identify municipalities potentially unable to support additional debt. Knowledgeable financial statement users would not make decisions on whether a municipality can support additional debt based solely on the limits. However, inexperienced financial statement users can be left with a negative perception if the limits are used in isolation to assess the financial health of a municipality.

A major factor contributing to the discomfort with the Regulation’s intent is related to the fact that the limits must be disclosed in the notes to the annual financial statements without any indication of the calculation method or the intended purpose. Consequently, financial statement readers must draw their own conclusions. Some municipalities are uneasy with the requirement to disclose the limits because of concern that the debt limit calculation can be misinterpreted, resulting in some hardship to the municipality. As a result, this discussion paper proposes a revised financial statement note disclosure.

Recommendation

The following revised financial statement note disclosure is proposed to supplement the existing note disclosure included in the specimen financial statements for the “Town of Sampleford”:

“The debt limit is calculated at 1.5 times revenue (as defined in the Regulation) of the municipality and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are a conservative guideline used by the department to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.”

Implications of the Recommendation

A short explanation, added to the current financial statement note disclosure, would reduce the incidence of interpretation problems and clarify the nature of the debt limit calculation to financial statement users. Most importantly, it would highlight the fact that the debt limit calculation is intended to be an indicator only.

3.2 The Calculation Formula

In selecting the calculation method, a balance was needed between selecting relevant limits and keeping the formula relatively simple. The calculation is an indicator used to identify situations where additional debt may be risky. However, the limits are not intended to be an absolute indicator of the amount of debt a municipality can support. In fact, a potential lender may choose to deny a loan request, even though the additional debt would be within prescribed limits. Ultimately, the concern is whether there will be adequate cash flow to support the debt.

The revenue percentages under the current Regulation calculation formula are seen by some as unduly restrictive in comparison to the guidelines used by the former LAB. However, it should be considered that the province is relying on one indicator to help identify potential situations where additional debt is not supportable. A greater risk lies where a more lenient approach is taken, potentially causing the Regulation not to fulfill its intended purpose.

It must be acknowledged that a formula based only on revenue does not accurately reflect the financial position of a municipality. Many other indicators could be used to assess a municipality's borrowing capacity. However, the calculation is useful in view of the intended purpose of the Regulation as a simple benchmark that triggers further investigation and review when necessary.

Recommendation

It is recommended that the existing formula for calculating debt and debt service limits be retained, with the exception of the wording clarification proposed in the section below.

Implications of the Recommendation

The debt limit will continue to serve as an indicator for the department. Upon further review and application, the Minister can extend one or both of the limits.

3.3 Wording Clarification

Section 1(1) of the Regulation provides that “calculation time” means the point in time referred to in section 2. However no reference to calculation time is included in section 2.

For purposes of calculating the revenue component of the formula, it is clear that the total revenue amount must be derived from the last audited annual financial statements of the municipality. However, when calculating the amounts to be included as principal outstanding on existing borrowings, and the amount of service on debt to be repaid in the next 12 months, it is unclear whether the calculation time means:

- the original calculation of the limits included in the annual audited financial statements as at December 31 of the prior year,
- or
- the amount outstanding at the time the municipality wishes to borrow, net of repayments made during the period between the preparation of the financial statements and the date of the intended borrowing.

Recommendation

It is recommended that the wording of the Regulation be amended so that “calculation time” is specifically defined as the date of first reading of a proposed borrowing bylaw.

Implications of the Recommendation

This wording clarification would ensure that the calculation formula includes adjustments for principal and interest amounts repaid anytime during the 12 months after the year in which the limits are calculated for financial statement purposes. The Regulation would then conform to currently-accepted practice as well.

**PROPOSED AMENDMENTS TO THE DEBT LIMIT REGULATION
(AR 375/94)**

Respondent: _____

Position: _____

Representing: _____

- Do you have any comments on the issues outlined in the consultation paper?

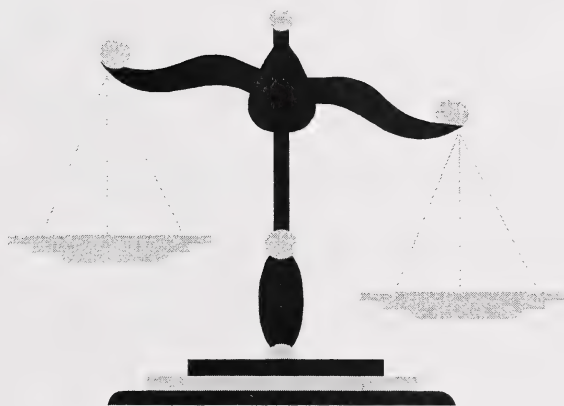
- Do you support the suggested financial statement note disclosure?

- Are there other amendments to the Regulation that should be considered?

This image shows a single sheet of white paper with horizontal blue or grey ruling lines, typical of notebook paper. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

Email: christina.parkins@ma.gov.ab.ca
Email: james.leitch@ma.gov.ab.ca

Appendix 1



(no amdt)

ALBERTA REGULATION 375/94

Municipal Government Act

(SA 1994 cM-26.1)

DEBT LIMIT REGULATION

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Interpretation **1(1)** In this Regulation, "calculation time" means the point in time referred to in section 2.

(2) The definitions in sections 1 and 241 of the Act apply to this Regulation.

Debt limit **2(1)** Subject to subsection (2), the debt limit of a municipality at a point in time is,

(a) in respect of the municipality's total debt, 1.5 times the revenue of the municipality, and

(b) in respect of the municipality's debt service, 0.25 times the revenue of the municipality.

(2) The debt limit for the City of Calgary and the City of Edmonton at a point in time is,

(a) in respect of the municipality's total debt, 2 times the revenue of the municipality, and

(b) in respect of the municipality's debt service, 0.35 times the revenue of the municipality.

Revenue **3** The revenue of a municipality at the calculation time is determined by the formula

$$R = a - b$$

where

"R" is revenue;

"a" is the total revenue reported in the last audited annual financial statement of the municipality prepared before the calculation time, less transfers from the governments of Alberta and Canada for the purposes of a capital property reported in that statement if those transfers are included in the total revenue;

"b" is the principal outstanding at the calculation time on loans made by the municipality under section 265 of the Act.

Total debt **4** The total debt of a municipality at the calculation time is determined by the formula

$$TD = (a + b) - c$$

where

“TD” is the total debt;

“a” is the principal outstanding at the calculation time on borrowings made by the municipality;

“b” is the principal outstanding at the calculation time of loans in good standing that have been guaranteed by the municipality, plus the amount that the municipality is liable to pay at the calculation time under loans not in good standing that have been guaranteed by the municipality;

“c” is the amount of a and b that the municipality is entitled to recover from another municipality at the calculation time.

Debt service **5(1)** The debt service of a municipality at the calculation time is determined by the formula

$$DS = (a + b) - c$$

where

“DS” is the debt service;

“a” is the sum of,

- (i) for borrowings made by the municipality in which the municipality is required to pay principal during the 12 months after the calculation time, the total amount of principal and interest that the municipality will be required to pay in respect of those borrowings during the 12 months after the calculation time, and
- (ii) for borrowings made by the municipality in which the municipality is not required to pay any principal during the 12 months after the calculation time, the total of the pro rata amounts in respect of those borrowings determined under subsection (2) for the 12 months after the calculation time;

“b” is the total amount that the council estimates on reasonable grounds that the municipality will be liable to pay during the 12 months after the calculation time in respect of loans not in good standing that have been guaranteed by the municipality;

“c” is the amount of a and b that the municipality is entitled to recover from another municipality during the 12 months after the calculation time.

(2) The pro rata amount for a borrowing at the calculation time is determined by the formula

$$PRA = D \times \frac{12}{E}$$

where

"PRA" is the pro rata amount for the borrowing;

"D" is the total amount of principal and interest that the municipality will be required to pay from the calculation time to the end of the amortization period of the borrowing;

"E" is the number of months from the calculation time to the end of the amortization period of the borrowing.

(3) For the purposes of determining D in the PRA formula, if the actual rate of interest under a borrowing is not known at the calculation time for some or all of the payments under the borrowing, the rate of interest for those payments is determined by using the rate of interest in effect at the calculation time.

Controlled
corporations

6(1) If a municipality controls one or more corporations, the municipality may choose to calculate its revenue, total debt and debt service as though one or more of the controlled corporations are part of the municipality.

(2) If a municipality chooses to include a controlled corporation in the calculation of its revenue, total debt and debt service, all of the controlled corporation's revenue, borrowings, guarantees and loans must be included in those calculations except that

- (a) revenues arising from transactions between the municipality and the controlled corporation or between the controlled corporation and another corporation controlled by the municipality that the municipality includes as being part of the municipality are not to be included in the combined revenues, and
- (b) guarantees and loans between the municipality and the controlled corporation or between the controlled corporation and another corporation controlled by the municipality that the municipality includes as being part of the municipality are not to be included in the combined total debt or debt service.

Coming into
force

7 *This Regulation comes into force on January 1, 1995.*

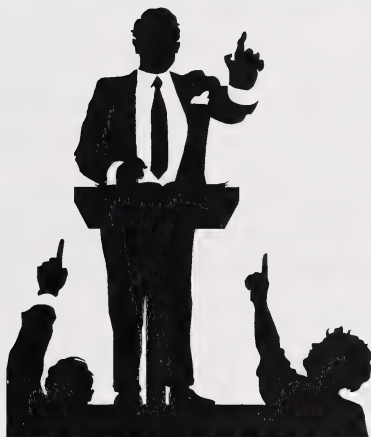
Appendix 2



Local Authorities Board Borrowing Guidelines

1. TOTAL DEBT MAGNITUDE (Total Debt as % of Equalized Assessment)
 - 30% for Cities, Towns And Villages
 - 15% for Summer Villages, Counties and Municipal Districts
2. TOTAL DEBT BURDEN (Debt Service Charges as % of Revenue)
 - 35% for Cities, Towns and Villages
 - 20% for Summer Villages, Counties and Municipal Districts
3. TOTAL FINANCING BURDEN (Normalized Debt Service as % of Revenue)
 - 40% for Cities, Towns and Villages
 - 25% for Summer Villages, Counties and Municipal Districts
4. TAX BURDEN - CURRENT
 - 100 mills of Equalized Assessment for all municipalities
5. TAX BURDEN - PROJECTED (Tax increase due to current year and proposed borrowing)
 - Annual rate of inflation for all municipalities

Appendix 3



Geometria



INFORMATION BULLETIN

Local Government Services Division

No. 21/95

December 1995

Approval to Exceed the Debt Limit

With the passing of the Municipal Government Act (MGA), the Local Authorities Board ceased to exist and was therefore eliminated from the borrowing process. This change made it necessary to establish certain guidelines for municipalities wishing to borrow in excess of the regulated debt and debt service limits.

Part 8 of the MGA specifies the general rules for borrowing, which include calculating the municipality's debt and debt service limits. Alberta Regulation No. 375/94 sets two criteria for calculating debt and debt service limits. The debt limit is 1.5 times the total revenue shown in the municipality's most recent audited financial statement. The debt service limit is 0.25 times the same figure. Each municipality is required to calculate its debt and debt service limits annually, and provide full note disclosure in its financial statements.

Without the Minister's approval to exceed the debt limit, councilors could be held liable for amounts borrowed over the limit.

To borrow above prescribed limits, a municipality should write to the Department requesting the Minister's approval. The Minister's timeline to process a debt limit extension depends on the complexity of the application. Generally, debt limit extensions are approved only in emergency or extraordinary situations.

Each application should include the following:

- (a) project details;
- (b) estimates of any additional annual revenues, expected costs, and cost-savings resulting from the project;
- (c) estimates and source(s) of funds planned for meeting the additional debt obligations;
- (d) estimates of costs and sources of funds for supporting the project;
- (e) a copy of the borrowing bylaw after first reading;
- (f) a long-range capital expenditure plan;
- (g) other.

(over)

Upon approval by the Minister, a municipality can submit an "Application to Sell Debentures" to the Alberta Municipal Financing Corporation (AMFC). The Board of Directors of AMFC must approve any borrowing that will put a municipality over its debt limit. In addition to the documentation necessary for all applications, AMFC requires the following:

- (1) five year operating and capital plans.
- (2) financial statements for the preceding five years.
- (3) a copy of the Ministerial Order approving the extension of the debt limit.

Generally, AMFC needs ten days to two weeks to complete the borrowing process. Once approved, a debenture can be executed for the next issue date that falls on the 1st and 15th of each month. Like any other financial institution, AMFC may accept or reject the loan application.

The AMFC issued a "Guide to Long-term Borrowing" that sets out its new procedures for borrowing. If you require assistance with the AMFC's borrowing procedure, please contact the Corporation's office at 427-9711.

Please address other concerns or questions to Local Government Advisory Services at 427-2225.

Appendix 4



INTERPRETATION BULLETIN

Subject: Alberta Regulation No. 375/94

Date: November 1996

No. 02/96

Calculating Debt and Debt Service Limits

Municipal debt and debt service limits are established pursuant to section 271 of the Municipal Government Act (MGA) and Alberta Regulation #375/94. The most commonly asked questions regarding calculating and interpreting this regulation are answered below.

1. Why are debt and debt service limits prescribed for municipalities?

When the MGA was passed, the Local Authorities Board, which previously approved most municipal borrowings, ceased to exist. The provincial role in the municipal borrowing process was then virtually eliminated. The prescribed limits were established in order to provide a benchmark, or a basic guideline amount. When a municipality reaches the prescribed limit, it must seek approval from the Minister of Municipal Affairs before proceeding with any further borrowing. If approval is given, it is still up to the lender to determine the municipality's creditworthiness.

2. What are the consequences of exceeding the regulated limits?

According to the MGA, councillors can be held liable for voting in favour of borrowing amounts in excess of the limits. Guidelines are in place for municipalities that wish to apply to the Minister for approval to borrow over the limits. Please refer to Information Bulletin No. 21/95.

.....2

Direct inquiries to:

Local Government Advisory Services Branch

15th Floor, Commerce Place

10155 - 102 Street

EDMONTON, Alberta T5J 4L4

PHONE: (403) 427-2225

Alberta
MUNICIPAL AFFAIRS
Local Government Services

3. What does the term "revenue" refer to?

Section 3 of the regulation states that revenue is *"the total revenue reported in the last audited annual financial statement of the municipality prepared before the calculation time, less transfers from the governments of Alberta and Canada for the purposes of a capital property reported in that statement if those transfers are included in the total revenue"*. The annual financial statements must be prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants for municipal governments. The recommendations are included in the Public Sector Accounting and Auditing Board (PSAAB) handbook. Consequently, the definition of revenue must follow the PSAAB recommendations.

4. Are amounts that the municipality collects for requisitions included as revenue for purposes of calculating the limits?

According to the PSAAB recommendations, funds that the municipality collects on behalf of others are not revenue. Revenue and expenditure statements should report property tax revenue net of requisition amounts. Consequently, any receipts related to requisitions are not considered as revenue for debt limit calculation purposes.

5. Are the limits based strictly on revenue?

The regulation specifies that in calculating revenue for debt and debt service limits, any principal amounts outstanding pursuant to section 265 of the MGA must be deducted from the total revenue amount. Section 265 provides the authority for a municipality to make loans to a non-profit organization or to one of its controlled corporations.

6. Can capital revenue be considered as part of the calculation amount?

Capital revenue may be included in the calculation to the extent that the amounts represent a true revenue item according to PSAAB's definition. For example, a transfer between funds is not a revenue item, but interest earned by the capital fund or proceeds generated from the sale of a capital asset qualify as revenue items in the capital fund.

7. Should provincial and federal grants be deducted from the revenue calculation?

According to the regulation, and based on the PSAAB recommendations regarding the definition of revenue, provincial and federal grants received for a capital purpose must be excluded from the calculation, including conditional or unconditional grant amounts. However, provincial and federal grants received for operating purposes may be included in the calculation of revenue.

8. Is long-term debt the only amount to include when disclosing the actual debt and debt service compared to the regulated limits?

The regulation defines debt as borrowings made by the municipality. As a result, this would include both short and long-term borrowing. Funds borrowed both for operating and for capital purposes must be included.

9. What source of information is used to calculate the debt limits?

According to the regulation, the figures used should be those reported in the last audited financial statement, including the underlying records where necessary, prepared before the calculation time. If you are calculating the 1995 debt limit, use the 1995 annual audited financial statement figures.

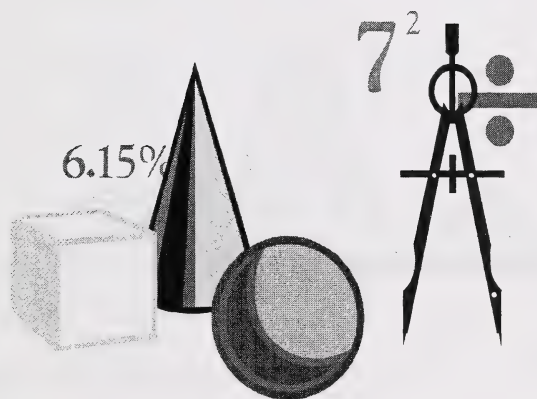
10. If the municipality chooses to make an early pay-out of long-term debt does the amount of the actual debt service cost that must be disclosed increase?

The amount of actual debt service cost that should be disclosed is described in section 5(1) of the regulation as the amount of principal and interest that the municipality is required to pay in the 12 months following the calculation of the limits. If a municipality opts to make an early pay-out of debt, the amount of actual debt servicing to be disclosed does not increase.

If you require any assistance with debt and debt service limits, please consult with your auditor or contact Financial Advisory Services at 427-2225.

Note: This is an interpretation only. For specific legal advice, please consult your own legal counsel.

Appendix 5



AMFC DEBT LIMIT WORKSHEET

Part 1 - Calculation of Debt Limit at _____

Total debt as at December 31, _____ being the aggregate of:

- (a) Principal balances outstanding on borrowings as defined in Section 241(a) of the *Municipal Government Act* \$ _____
Amounts unpaid by a borrower for which the _____ (municipality)
or a controlled corporation has provided guarantees in respect
of a loan between a lender and the borrower \$ _____

Less:

- (c) Amounts recoverable from another municipality in respect of (a)+(b) above (\$ _____)
(d) Debt maturity (principal only) since Dec. 31 of the prior year to the calculation time (\$ _____)
(e) Prepayment of debt (principal only) since Dec. 31 prior year to the calculation time (\$ _____)

Plus:

- (f) New debt issues to _____ (current date) \$ _____
(g) Less amount recoverable from another municipality if applicable (\$ _____)
(h) Debt issue applied for under By-law No. _____ \$ _____

Total Debt for Calculation of Debt Limit \$ _____ (i)

Total revenue as defined by Alberta Regulation No. 375/94, for year ended December 31, _____ (excluding government transfers for capital purposes)

\$ _____

***Debt limit = 1.5 times total revenue**

\$ _____ (ii)

Part 2 - Calculation of Service on Debt Limit at _____

Total service on debt at December 31, _____ being the aggregate of:

- (a) Total minimum payments of principal and interest payable during the next year \$ _____
- (b) Pro-rata portion of minimum principal and interest due on next payment if not due during the next year \$ _____
- (c) Amount estimated to become due during the next year (or the pro-rata portion thereof) as a result of guarantees referred to in Section 266 of the *Municipal Government Act* \$ _____

Less:

- (d) Amounts recoverable from another municipality in respect of (a)+(b)+(c) above (\$ _____)
- (e) Total payments of principal and interest on debt maturity since December 31 of the prior year to the calculation time (\$ _____)

Plus:

- (f) Annual payment of principal and interest payable on debt issues to _____ (current date) \$ _____
- (g) Less amounts recoverable from another municipality \$ _____
- (h) Annual payment of principal and interest payable on the debt issued under By-law No. _____ (at AMFC's current lending rate) \$ _____

Total Service on Debt for Calculation of Service on Debt Limit \$ _____ (iii)

Total revenue as defined by Alberta Regulation No. 375/94, for year ended December 31, _____ (excluding government transfers for capital purposes) \$ _____

Service on debt limit = .25 times total revenue \$ _____ (iv)

Does total debt for calculation of debt limit (i) exceed debt limit (ii)? Yes/No

Does total service on debt (iii) exceed service on debt limit (iv)? Yes/No

If answer to either question is yes, please attach approval of the borrowing by the Minister of Municipal Affairs.

**SUPPLEMENTARY
ACCOUNTING
PRINCIPLES AND
STANDARDS
REGULATION**

(Alberta Regulation 379/94)

PROPOSED AMENDMENTS TO THE SUPPLEMENTARY ACCOUNTING PRINCIPLES AND STANDARDS REGULATION (AR 379/94)

BACKGROUND

The Supplementary Accounting Principles and Standards Regulation (Alberta Regulation No. 379/94) was approved in 1994 and came into force on January 1, 1995. The Regulation sets out the requirements for the disclosure of municipal elected officers' and designated officers' salaries and benefits in the annual financial statements of a municipality.

The review of the Supplementary Accounting Principles and Standards Regulation is part of the department's commitment to ensure that regulations administered by the department are current and relevant, and those that are not are either updated or repealed. In partnership with Albertans, government departments are to improve and simplify the regulatory environment to reflect the new way of doing business.

ISSUE

Based on municipal financial statements submitted to the department, it is noted that the disclosure of remuneration and benefit information for elected officers and designated officers has been inconsistent across the province.

RESULTS OF THE PREVIOUS CONSULTATION PROCESS

A consultation document was circulated to stakeholders during the months of January and February, 1999. The consultation document provided both a policy and legislative background, and outlined the issues and concerns raised to date regarding the current Regulation. The document discussed five aspects and requested stakeholder input. A brief summary of the aspects and associated stakeholder responses follows.

1. Specify that information on salaries and benefits be reported separately in the annual financial statements.
 - Support was received from most respondents.
2. Specify that actual salaries be disclosed, not salary ranges.
 - Support was received from most respondents.

3. Specify that salary and benefit information be reported for all those in management who report directly to the chief administrative officer.
 - Many respondents were opposed to this proposal as it was viewed as an invasion of personal privacy. 15 respondents were supportive, 20 were opposed and 15 were non-committal. The need for a clearer definition of management was identified by a number of municipalities.
4. Specify that information on salaries and benefits which have been paid to councillors be reported in the annual financial statements individually by name.
 - Stakeholders' responses were split on this proposal. 34 were supportive, 28 opposed and 8 were non-committal.
5. Require that municipalities publish the current and previous year's salary and benefit information to enhance comparability.
 - Support was received from most respondents.

PROPOSED AMENDMENTS

As a result of previous consultation with stakeholders, it is proposed that only minor clarifying amendments be made to the Regulation. In addition, provisions of the *Freedom of Information and Protection of Privacy Act* may need to be addressed.

1. **It is recommended that remuneration and benefit information be disclosed for both elected officers and employees as follows:**
 - **Salary and benefit information for elected officials (Councillors and the Chief Elected Official) shall be disclosed by a unique identifier, such as personal name, division or ward.**
 - **Salary and benefit information for the Chief Administrative Officer shall be disclosed by a unique identifier.**
 - **Salary and benefit information for Designated Officers shall be disclosed as a total figure, with the number of positions included in the total noted.**
2. **It is recommended that, for comparative purposes, salary and benefit information be disclosed separately for both the current and previous year.**

**PROPOSED AMENDMENTS TO THE
SUPPLEMENTARY ACCOUNTING PRINCIPLES AND STANDARDS REGULATION
(AR 379/94)**

Respondent: _____

Position: _____

Representing: _____

Please provide your comments and suggestions on the following proposals:

- Disclose Elected Officials' (Councillors and Chief Elected Official) salary and benefit information by a unique identifier.

- Disclose Chief Administrative Officer's salary and benefit information by a unique identifier.

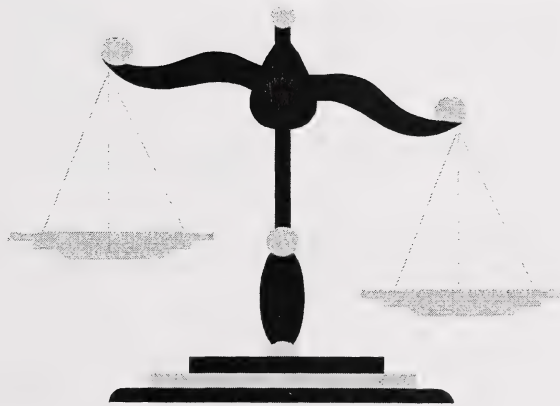
- Disclose Designated Officers' salary and benefit information as a total figure, noting the number of positions included in the total.

- Publish separate figures for both the current and previous year's salary and benefit information.

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Appendix



(no amdt)

ALBERTA REGULATION 379/94

Municipal Government Act

(SA 1994 cM-26.1)

**SUPPLEMENTARY ACCOUNTING PRINCIPLES
AND STANDARDS REGULATION**

Notes
respecting
salaries and
benefits

1(1) The annual financial statements of a municipality must contain notes that set out the salaries and benefits received by

- (a) the councillors,
- (b) the chief administrative officer, and
- (c) the designated officers.

(2) The notes must set out

- (a) the salaries and benefits for councillors and the chief administrative officer so that the salary and benefits for each councillor and the chief administrative officer can be identified separately, and
- (b) the number of the designated officers whose salaries and benefits have been reported.

Details of
salary

2 The notes respecting salaries must include base pay, bonuses, overtime, lump sum payments, honoraria and any other direct cash remuneration.

Details of
benefits

3 The notes respecting benefits must set out the value of the benefits and include

- (a) contributions made by the municipality on behalf of the councillors or officers, such as payments in respect of pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition, and
- (b) the municipality's share of the costs of taxable benefits received by the councillors or officers, such as special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

Coming into
force

4 *This Regulation comes into force on January 1, 1995.*

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